

## SANTA CATARINA STATE HIGHWAY PROGRAM, PHASE 4

(BR-0355)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Government of the State of Santa Catarina	
<b>Guarantor:</b>	Federative Republic of Brazil	
<b>Executing agency:</b>	Santa Catarina State Highway Department	
<b>Amount and source:</b>	IDB (OC):	US\$150 million
	Local:	US\$150 million
	Total:	US\$300 million
<b>Financial terms and conditions:</b>	Amortization period:	20 years
	Grace period:	5 years
	Disbursement period:	5 years
	Physical initiation of works:	4 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	Currency pool
<b>Objectives:</b>	<p>The general objective of the program is to improve economic integration and efficiency of the different regions and productive sectors in Santa Catarina state, decreasing transportation costs and travel times thanks to improved traffic conditions and greater traffic safety. The specific objectives of the program are to: (i) reduce transportation costs; (ii) improve access to county seats; and (iii) increase safety in passenger and freight transportation.</p>	
<b>Description:</b>	<p>The program consists of upgrading and rehabilitating highways that belong to the state highway system, implementing major highway safety measures and institutional strengthening activities. The road works will consist of paving 450 km of highways with relatively high traffic that are currently dirt or gravel and rehabilitating 700 km of already paved roads that are reaching or have outlived their useful life. The purpose of the highway safety component is to strengthen the capacity of the Santa Catarina Highway Patrol (<i>Polícia Rodoviária</i>) (PR/SC) to enforce traffic laws and substantially increase its capacity</p>	

to prevent and address accidents. Highway upgrades and rehabilitation will include the construction of sidewalks, bicycle paths, access ramps for the handicapped, and pedestrian protection systems for roads that go through urban areas. The activities for institutional strengthening and the environment include improving planning capacity, which is already quite well developed, assessing the environmental liabilities of the roads, and preparing and implementing a plan for highway transportation of hazardous materials.

**The Bank's  
country and  
sector strategy:**

The strategy focuses on the following main areas: (i) promote and deepen public sector reform and modernization on the federal and state levels; (ii) support efforts to improve competitiveness and market access for Brazilian products; (iii) support efforts to reduce social inequities and poverty; and (iv) address the problems of environmental and natural resource management, with emphasis on protecting vulnerable ecosystems. The proposed program will support the area of strengthening competitiveness and market access by reducing transportation costs (paragraph 2.19 of the country paper dated 7 July 2000).

**Environmental  
and social  
review:**

The Santa Catarina Environment Foundation (FATMA), the state environmental protection agency authorized to grant environmental permits for the projects to be carried out under the proposed program, decided that the rehabilitation works would not require environmental and social impact assessments and may be executed with the respective Environmental Permit. The upgrading works were reviewed on a case-by-case basis to determine the basic environmental studies and permits necessary. For the projects in the representative sample, FATMA did not require any environmental impact studies. To comply with Bank policy, DER/SC prepared an environmental assessment report (EAR), based on the simplified environmental assessments conducted for each sample project. The EAR concluded that: (i) program implementation will lead to an improvement in current social and environmental conditions in the area of influence of the projects; (ii) the potential adverse impact of the projects is minor and foreseeable, and can be mitigated through measures that have already been incorporated into the designs; (iii) the program will properly address (a) the impact of the works, (b) indemnification or resettlement of affected residents, (c) environmental compensation and critical environmental liabilities, (d) protection of springs, and (e) transportation of hazardous materials; and (iv) the program will provide instruments to strengthen the environmental management capacity of the DER/SC. The DER/SC has carried out outreach activities with the affected communities and other stakeholders and will continue to do so during preparation of the designs for the new highway segments to be added to the program. The environment report was forwarded to the Public

Information Center (PIC) on 16 July 2001 and approved by the Committee on Environment and Social Impact (CESI) on 3 October 2001 (paragraph 3.43).

**Benefits:** The expected benefits will be to: (i) reduce transportation costs; (ii) improve access to municipalities in the state for the transportation of passengers and agricultural and industrial production; (iii) improve safety in passenger and freight transportation, reducing the risk of accidents, decreasing travel time, and optimizing itineraries; and (iv) lower the cost of highway maintenance and repair. The program will benefit all the residents of the state, especially those living in the interior. To a lesser degree, it will also benefit the residents of neighboring states who are involved in trade in goods, inputs, and services with individuals and firms located in Santa Catarina or use its ports for exports.

**Risks:** The program does not involve any special risks, except for limited institutional exposure, given that the DER/SC is a competent executing agency with experience implementing projects financed by multilateral institutions and an appropriate organizational structure, and will be supported by a management firm. However, there is a risk that professionals and other skilled staff will decline due to attrition. This risk will be minimized through a plan to hire young professionals that will be supported by the program through training and staff development. The program has no political, technical, financial, or environmental risks (paragraph 4.29).

**Special contractual clauses:** Prior to approval of the first contract for the execution of civil works, the management firm must have been hired and be in a position to provide the necessary support to the DER/SC (paragraphs 3.7 and 3.53).

Prior to issuing the call for bids for each construction contract, the DER/SC must: (i) obtain an environmental permit; and (ii) arrange for a resettlement plan for the low-income population (paragraph 4.24a).

Prior to approval of each construction contract, the DER/SC must hire the firm that will be in charge of technical and environmental supervision (paragraph 4.24b).

Prior to initiating each construction project, the DER/SC must: (i) be in possession of the environmental paperwork required; (ii) give the respective technical units and regional inspector of the DER/SC, the works supervisor, and the contractor a general and specific environmental briefing; (iii) implement the resettlement plan for the low-income population; and (iv) take the necessary measures to ensure that the public utilities affected cooperate in the project (paragraph 4.24c).

Other conditions: the DER/SC must: (i) within 18 months after signing of the loan contract, hire consulting services to prepare the *highway transportation master plan* (paragraph 2.14a), the *hazardous materials master plan* (paragraph 4.24e), and the *environmental liabilities survey* (paragraph 4.24f), and, within 24 months, the *guidelines for municipal land management* (paragraph 4.24f); (ii) within 30 months, initiate procurement under the *emergency action plan* (paragraph 4.24e); (iii) within 36 months, complete the *course on handling accidents involving hazardous materials* (paragraph 4.24e); and (iv) within 24 months, complete the *review of environmental regulations for highways* (paragraph 4.24g).

As a condition precedent to the first disbursement for the activities to support the PR/SC, a new agreement between the DER/SC and the PR/SC must be signed (paragraph 3.10). In addition, prior to outfitting a new Highway Patrol station, the DER/SC must demonstrate that the PR/SC has the necessary staff to assign to it (paragraph 3.11).

Other conditions: the DER/SC agrees to: (i) compile data for any future socioeconomic evaluation (paragraph 3.52); and (ii) prepare the other program projects not included in the representative sample according to the same procedures as those used for the sample, or better ones (paragraph 2.7).

**Poverty-targeting and social sector classification:**

This operation does not qualify as a social equity enhancing project, as described in the key objectives of for Bank activity set forth in the Report on the Eighth General Increase in Resources (document AB-1704). Furthermore, this operation does not qualify as a poverty-targeted investment (PTI). The borrowing country will not be using the 10 percentage points in additional financing (paragraph 4.25).

**Exceptions to Bank policy:**

None.

**Procurement:**

International competitive bidding will be required for construction contracts in excess of US\$5 million and the procurement of equipment in amounts greater than US\$350,000 (paragraph 3.55). An open call for proposals will be requirement for consulting contracts above US\$200,000 (paragraph 3.56).

**Recognition of previous expenditures:**

Up to US\$9.5 million in expenses incurred will be recognized as eligible for retroactive financing, up to US\$3.5 million of which will be financed by the Bank and up to US\$6 million as part of the local counterpart contribution (paragraph 3.47).